Karoo Hoogland Local Municipality
Annual Financial Statements
for the year ended 30 June 2019
Published 30 August 2019

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on page 3 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

JJ Fortuin
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution. (Act no 108 of 1996).

2. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
JJ Fortuin	South African

6. Bankers

The municipality's preferred bankers are:

Standard Bank
Williston
8920

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

8. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston
Sutherland
Fraserburg

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	222 378	173 808
Other receivables from exchange transactions	4	41 012	62 409
Receivables from non-exchange transactions	5	1 963 453	832 672
VAT receivable	6	3 841 964	1 526 641
Receivables from exchange transactions	7	10 599 110	5 599 005
Cash and cash equivalents	8	5 974 232	2 414 449
		22 642 149	**10 608 984**
Non-Current Assets			
Investment property	9	33 006 409	33 280 758
Property, plant and equipment	10	235 684 180	189 293 010
Intangible assets	11	109 127	124 629
Long term receivables	12	125 833	113 759
Capitalised restoration cost	13	9 054 045	8 436 996
		277 979 594	**231 249 152**
Total Assets		**300 621 743**	**241 858 136**
Liabilities			
Current Liabilities			
Other financial liabilities	14	211 290	230 125
Finance lease obligation	15	184 114	160 916
Payables from exchange transactions	16	15 186 009	10 236 988
Consumer deposits	17	229 762	200 607
Employee benefit obligation	18	309 667	285 735
Unspent conditional grants and receipts	19	696 453	768 094
Provisions	20	318 310	11 464 647
		17 135 605	**23 347 112**
Non-Current Liabilities			
Other financial liabilities	14	1 664 563	1 875 838
Finance lease obligation	15	120 870	107 286
Employee benefit obligation	18	2 685 464	2 259 473
Provisions	20	58 848 420	43 162 351
		63 319 317	**47 404 948**
Total Liabilities		**80 454 922**	**70 752 060**
Net Assets		**220 166 821**	**171 106 076**
Accumulated surplus		220 166 821	171 106 076

* See Note 38

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	18 182 049	16 406 663
Rental of facilities and equipment	22	490 251	845 644
Interest received (trading)		1 987 831	1 568 540
Agency services		282 145	308 308
Other income	23	267 295	736 173
Interest received - investment	24	761 948	317 198
Total revenue from exchange transactions		**21 971 519**	**20 182 526**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	8 397 588	6 083 977
Property rates - interest received	25	437 379	407 925
Transfer revenue			
Government grants & subsidies	26	83 042 028	44 415 143
Public contributions and donations		120	780
Fines, Penalties and Forfeits		1 339	1 745
Total revenue from non-exchange transactions		**91 878 454**	**50 909 570**
Total revenue		**113 849 973**	**71 092 096**
Expenditure			
Employee related costs	27	(24 198 680)	(21 462 637)
Remuneration of councillors	28	(2 550 343)	(2 523 995)
Depreciation and amortisation		(7 695 838)	(8 810 138)
Impairment loss		-	(29 670)
Finance costs	29	(3 754 773)	(1 232 372)
Debt Impairment	30	(3 399 304)	(1 926 084)
Bulk purchases	31	(8 334 136)	(8 132 660)
Contracted services	32	(1 504 479)	(1 166 243)
Operating cost	33	(12 325 802)	(14 651 209)
Total expenditure		**(63 763 355)**	**(59 935 008)**
Operating surplus		**50 086 618**	**11 157 088**
Profit/(Loss) on derecognition of asset		(605 000)	(667 870)
Actuarial gains/losses	18&20	(420 874)	440 440
		(1 025 874)	**(227 430)**
Surplus for the year		**49 060 744**	**10 929 658**

* See Note 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	162 891 508	162 891 508
Adjustments		
Correction of errors	(2 715 090)	(2 715 090)
Balance at 1 July 2016	**160 176 418**	**160 176 418**
Changes in net assets		
Surplus for the year	10 929 658	10 929 658
Total changes	10 929 658	10 929 658
Opening balance as previously reported	175 465 803	175 465 803
Adjustments		
Correction of errors	(4 359 726)	(4 359 726)
Restated* Balance at 01 July 2018 as restated*	**171 106 077**	**171 106 077**
Changes in net assets		
Surplus for the year	49 060 744	49 060 744
Total changes	49 060 744	49 060 744
Balance at 30 June 2019	**220 166 821**	**220 166 821**

* See Note 38

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Rate payers and other		15 295 617	19 287 241
Grants		82 970 387	44 792 428
Finance income		761 948	317 198
Interest earned - outstanding debtors		1 987 831	1 568 540
Property rates - Interest received		437 379	407 925
Taxes		(1 663 974)	(309 444)
		99 789 188	66 063 888
Payments			
Employee costs		(26 507 036)	(24 073 053)
Suppliers		(15 851 236)	(20 131 952)
Finance costs		(3 813)	(7 941)
		(42 362 085)	(44 212 946)
Net cash flows from operating activities	46	**57 427 103**	**21 850 942**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(53 607 250)	(22 221 219)
Proceeds from sale of property, plant and equipment	10	25 000	-
Purchase of other intangible assets	11	(23 355)	(9 487)
Decrease in long term receivables		245 100	(91 648)
Net cash flows from investing activities		**(53 360 505)**	**(22 322 354)**
Cash flows from financing activities			
Repayment of other financial liabilities		(279 480)	(300 548)
Increase in consumer deposits		29 155	(82 616)
Finance lease payments		(256 490)	(251 273)
Net cash flows from financing activities		**(506 815)**	**(634 437)**
Net increase/(decrease) in cash and cash equivalents		**3 559 783**	**(1 105 849)**
Cash and cash equivalents at the beginning of the year		2 414 449	3 520 298
Cash and cash equivalents at the end of the year	8	**5 974 232**	**2 414 449**

* See Note 38

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	21 538 401	(4 051 400)	**17 487 001**	18 182 049	**695 048**	Note 48
Rental of facilities and equipment	734 300	1 500	**735 800**	490 251	**(245 549)**	Note 48
Interest received (trading)	1 619 906	182 000	**1 801 906**	1 987 831	**185 925**	Note 48
Agency services	-	-	**-**	282 145	**282 145**	Note 48
Other income	3 514 216	1 317 400	**4 831 616**	267 295	**(4 564 321)**	Note 48
Interest received - investment	403 000	-	**403 000**	761 948	**358 948**	Note 48
Total revenue from exchange transactions	**27 809 823**	**(2 550 500)**	**25 259 323**	**21 971 519**	**(3 287 804)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	6 574 099	-	**6 574 099**	8 397 588	**1 823 489**	Note 48
Property rates - interest received	-	-	**-**	437 379	**437 379**	Note 48
Transfer revenue						
Government grants & subsidies	67 938 000	(392 000)	**67 546 000**	83 042 028	**15 496 028**	Note 48
Public contributions and donations	-	-	**-**	120	**120**	Note 48
Fines, Penalties and Forfeits	47 800	(29 300)	**18 500**	1 339	**(17 161)**	Note 48
Total revenue from non-exchange transactions	**74 559 899**	**(421 300)**	**74 138 599**	**91 878 454**	**17 739 855**	
Total revenue	**102 369 722**	**(2 971 800)**	**99 397 922**	**113 849 973**	**14 452 051**	
Expenditure						
Personnel	(24 833 692)	(1 089 267)	**(25 922 959)**	(24 198 680)	**1 724 279**	Note 48
Remuneration of councillors	(2 571 398)	(97 000)	**(2 668 398)**	(2 550 343)	**118 055**	Note 48
Depreciation and amortisation	(400 000)	-	**(400 000)**	(7 695 838)	**(7 295 838)**	Note 48
Finance costs	(231 202)	-	**(231 202)**	(3 754 773)	**(3 523 571)**	Note 48
Debt impairment	(2 467 617)	-	**(2 467 617)**	(3 399 304)	**(931 687)**	Note 48
Contracted Services	(8 133 500)	(426 928)	**(8 560 428)**	(1 504 479)	**7 055 949**	Note 48
Bulk purchases	(8 528 100)	-	**(8 528 100)**	(8 334 136)	**193 964**	Note 48
General Expenses	(9 383 818)	(160 400)	**(9 544 218)**	(12 325 802)	**(2 781 584)**	Note 48
Total expenditure	**(56 549 327)**	**(1 773 595)**	**(58 322 922)**	**(63 763 355)**	**(5 440 433)**	
Operating surplus	**45 820 395**	**(4 745 395)**	**41 075 000**	**50 086 618**	**9 011 618**	
Loss on derecognition of asset	-	-	**-**	(605 000)	**(605 000)**	Note 49
Actuarial gains/losses	-	-	**-**	(420 874)	**(420 874)**	Note 48
	-	**-**	**-**	**(1 025 874)**	**(1 025 874)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**45 820 395**	**(4 745 395)**	**41 075 000**	**49 060 744**	**7 985 744**	

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	6 574 099	-	6 574 099	-		6 574 099	8 834 967		2 260 868	134 %	134 %
Service charges	23 158 307	(3 869 400)	19 288 907	-		19 288 907	20 169 880		880 973	105 %	87 %
Investment revenue	403 000	-	403 000	-		403 000	761 948		358 948	189 %	189 %
Transfers recognised - operational	26 918 000	(392 000)	26 526 000	-		26 526 000	24 521 900		(2 004 100)	92 %	91 %
Other own revenue	4 296 316	1 289 600	5 585 916	-		5 585 916	1 041 030		(4 544 886)	19 %	24 %
Total revenue (excluding capital transfers and contributions)	**61 349 722**	**(2 971 800)**	**58 377 922**	**-**		**58 377 922**	**55 329 725**		**(3 048 197)**	**95 %**	**90 %**
Employee costs	(24 833 692)	(1 089 267)	(25 922 959)	-	-	(25 922 959)	(24 198 680)	1 724 279	1 724 279	93 %	97 %
Remuneration of councillors	(2 571 398)	(97 000)	(2 668 398)	-	-	(2 668 398)	(2 550 343)	118 055	118 055	96 %	99 %
Debt impairment	(2 467 617)	-	(2 467 617)			(2 467 617)	(3 399 304)	(931 687)	(931 687)	138 %	138 %
Depreciation and asset impairment	(400 000)	-	(400 000)			(400 000)	(7 695 838)	(7 295 838)	(7 295 838)	1 924 %	1 924 %
Finance charges	(231 202)	-	(231 202)	-	-	(231 202)	(3 754 773)	(3 523 571)	(3 523 571)	1 624 %	1 624 %
Bulk purchases	(8 528 100)	-	(8 528 100)	-	-	(8 528 100)	(8 334 136)	193 964	193 964	98 %	98 %
Profit/(Loss) on disposal of assets	-	-	-	-	-	-	(605 000)	(605 000)	(605 000)	DIV/0 %	DIV/0 %
Other expenditure	(17 517 318)	(587 328)	(18 104 646)	-	-	(18 104 646)	(14 251 155)	3 853 491	3 853 491	79 %	81 %
Total expenditure	**(56 549 327)**	**(1 773 595)**	**(58 322 922)**	**-**	**-**	**(58 322 922)**	**(64 789 229)**	**(6 466 307)**	**(6 466 307)**	**111 %**	**115 %**
Surplus/(Deficit)	**4 800 395**	**(4 745 395)**	**55 000**	**-**		**55 000**	**(9 459 504)**		**(9 514 504)**	**(17 199)%**	**(197)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	41 020 000	-	41 020 000	-		41 020 000	58 520 128		17 500 128	143 %	143 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	120		120	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**45 820 395**	**(4 745 395)**	**41 075 000**	**-**		**41 075 000**	**49 060 744**		**7 985 744**	**119 %**	**107 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	30 years

Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Depreciation method	Average useful life

1.5 Property, plant and equipment (continued)

Land	Straight line	Indefinite
Buildings	Straight line	20 - 35 years
Capital restoration cost	Straight line	1 - 20 years
Other assets	Straight line	3 - 20 years
Leased Assets	Straight line	3 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Land and buildings are recognised according to the system Deedsweb. Deedsweb is a search function to extract information from the deeds office.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years
Computer software licenses	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

1.7 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.7 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.10 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.10 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.10 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.11 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

1.11 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.13 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.14 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.14 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Accounting Policies

1.21 Related parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact is not material.

3. Inventories

Consumable stores	147 357	116 753
Water	75 021	57 055
	222 378	**173 808**

Inventory pledged as security

No inventory was pledged as security for any liabilities during 2019 and 2018.

4. Other receivables from exchange transactions

Expense Paid in advance	41 012	62 409

Expenses paid in advance relates to Software license renewal once-off payment for 36 months.

5. Receivables from non-exchange transactions

Project Nala	5 193	5 193
Payments made in advance	-	1 114
Consumer debtors - Rates	1 943 070	811 200
Salary overpayments	15 190	15 165
	1 963 453	**832 672**

Figures in Rand	2019	2018

5. Receivables from non-exchange transactions (continued)

Consumer debtors - Rates Gross Balances		
Current (0 - 30 days)	270 629	69 137
31 - 60 days	293 341	212 232
61 - 90 days	247 250	177 919
91 - 120 days	928 927	166 021
+120 days	5 007 257	4 414 327
	6 747 404	**5 039 636**

Consumer debtors - Rates Less: Allowance for impairment		
Current (0 - 30 days)	165 972	39 473
31 - 60 days	143 844	150 567
61 - 90 days	138 407	143 510
91 - 120 days	389 023	139 211
+120 days	3 967 090	3 755 676
	4 804 336	**4 228 437**

Consumer debtors - Rates Net Balances		
Current (0 - 30 days)	104 657	29 663
31 - 60 days	149 498	61 665
61 - 90 days	108 844	34 410
91 - 120 days	539 904	26 810
+120 days	1 040 167	658 652
	1 943 070	**811 200**

No receivables from non-exchange transactions are pledged as security for any liabilities.

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	1 963 453	832 672

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(4 228 437)	(4 041 705)
Provision for impairment	(575 899)	(186 732)
	(4 804 336)	**(4 228 437)**

Debts are required to be settled after 30 days, interest is charged after this date at prime + 1%. The fair value of trade and other receivables approximates their carrying amounts. Discounting of receivables are not performed at initial recognition in terms of GRAP 104.

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts. All Non-Government debtors were either specifically impaired or subject to collective impairment.

6. VAT receivable

VAT	3 841 964	1 526 641

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Receivables from exchange transactions

	2019	2018
Gross balances		
Electricity	2 228 343	1 643 712
Water	8 804 277	6 524 421
Sewerage	7 954 976	6 136 382
Refuse	7 247 765	6 171 894
Housing rental	403 285	351 300
Other	7 751 188	6 094 133
	34 389 834	**26 921 842**
Less: Allowance for impairment		
Electricity	(535 917)	(502 636)
Water	(5 748 408)	(5 384 614)
Sewerage	(5 956 773)	(5 145 438)
Refuse	(5 881 663)	(5 213 378)
Housing rental	(279 902)	(215 571)
Other	(5 388 061)	(4 861 200)
	(23 790 724)	**(21 322 837)**
Net balance		
Electricity	1 692 426	1 141 076
Water	3 055 869	1 139 807
Sewerage	1 998 203	990 944
Refuse	1 366 102	958 516
Housing rental	123 383	135 729
Other	2 363 127	1 232 933
	10 599 110	**5 599 005**
Electricity		
Current (0 -30 days)	515 887	472 558
31 - 60 days	129 930	117 527
61 - 90 days	82 107	76 679
91 - 120 days	83 945	43 461
+120 days	880 557	430 851
	1 692 426	**1 141 076**
Water		
Current (0 -30 days)	711 379	137 852
31 - 60 days	109 490	52 777
61 - 90 days	90 418	42 591
91 - 120 days	99 067	27 734
+120 days	2 045 515	878 853
	3 055 869	**1 139 807**
Sewerage		
Current (0 -30 days)	293 084	167 742
31 - 60 days	96 754	50 027
61 - 90 days	81 071	31 559
91 - 120 days	87 550	31 476
+120 days	1 439 744	710 140
	1 998 203	**990 944**

Figures in Rand	2019	2018

7. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	140 546	116 470
31 - 60 days	52 449	35 482
61 - 90 days	45 026	25 519
91 - 120 days	47 173	22 418
+120 days	1 080 908	758 627
	1 366 102	**958 516**
Housing rental		
Current (0 -30 days)	46 488	49 595
31 - 60 days	5 924	7 263
61 - 90 days	5 003	4 063
91 - 120 days	3 953	2 912
+120 days	62 015	71 896
	123 383	**135 729**
Other (specify)		
Current (0 -30 days)	7 909	68 404
31 - 60 days	5 475	91 764
61 - 90 days	5 414	1 104
91 - 120 days	552 820	924
+120 days	1 791 509	1 070 737
	2 363 127	**1 232 933**

Figures in Rand	2019	2018

7. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	572 489	935 588
31 - 60 days	528 865	607 666
61 - 90 days	627 395	556 607
91 - 120 days	6 567 120	522 829
+120 days	22 116 031	18 381 468
	30 411 900	21 004 158
Less: Allowance for impairment	(23 244 034)	(20 386 318)
	7 167 866	**617 840**
Industrial/ commercial		
Current (0 -30 days)	893 016	393 347
31 - 60 days	101 942	117 194
61 - 90 days	59 455	66 288
91 - 120 days	69 959	48 276
+120 days	943 157	1 145 897
	2 067 529	1 771 002
Less: Allowance for impairment	(600 105)	(1 034 204)
	1 467 424	**736 798**
National and provincial government		
Current (0 -30 days)	400 480	309 264
31 - 60 days	100 672	242 626
61 - 90 days	82 493	144 797
91 - 120 days	95 269	112 115
+120 days	1 325 069	3 337 880
	2 003 983	**4 146 682**
Total		
Current (0 -30 days)	1 865 985	1 638 199
31 - 60 days	731 479	967 486
61 - 90 days	769 343	767 692
91 - 120 days	6 732 347	683 221
+120 days	24 384 257	22 865 244
	34 483 411	26 921 842
Less: Allowance for impairment	(23 884 301)	(21 322 837)
	10 599 110	**5 599 005**
Less: Allowance for impairment		
Current (0 -30 days)	(372 114)	(625 577)
31 - 60 days	(361 180)	(612 645)
61 - 90 days	(464 988)	(586 177)
91 - 120 days	(4 360 686)	(554 296)
+120 days	(18 231 756)	(18 944 142)
	(23 790 724)	**(21 322 837)**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(21 322 837)	(19 371 798)
Contributions to allowance	(2 467 887)	(1 951 039)
	(23 790 724)	**(21 322 837)**

Figures in Rand	2019	2018

7. Receivables from exchange transactions (continued)

Consumer debtors pledged as security

No receivables from exchange transactions were pledged as security for any liablities.

Fair value of consumer debtors

The carrying value of receivables from exchange transactions approximate their fair values.

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	10 599 110	5 599 005

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 700	2 700
Bank balances	5 971 532	2 411 749
	5 974 232	**2 414 449**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
AA	5 971 532	2 411 749

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank - Account number 08 321 2442 (Primary bank account)	1 236 155	1 511 969	1 274 984	1 236 155	1 511 969	1 274 984
ABSA Bank - Account number 24 900 0065 (Secondary Bank account)	4 101 497	327 424	1 214 904	4 101 497	327 424	1 214 904
Standard Bank Call Account - Account number 40 5435 2064	13	13	13	13	13	13
ABSA Bank Call Account - Account number 92 9194 4935	18 050	18 050	18 050	18 050	18 050	18 050
Standard Bank E-natis Account - Account number 08 311 6192	82 174	39 627	497 064	82 174	39 627	497 064
Standard Bank FMG Call Account - Account number 28 8644 204	1 000	1 000	1 258	1 000	1 000	1 258
ABSA MSIG Call Account - Account number 92 8398 9884	1 000	1 000	1 000	1 000	1 000	1 000
Standard Bank MIG Call Account - Account number 28 864 4220	1 000	1 000	11 012	1 000	1 000	11 012
Standard Bank Library Call Account - Account number 28 864 4247	1 000	1 000	4 478	1 000	1 000	4 478
Standard Bank EPWP - Account number 28 864 4239	1 000	1 000	1 000	1 000	1 000	1 000
Fuel deposit account	15 000	15 000	15 000	15 000	15 000	15 000
ABSA UNEG - Account number 92 8389 9339	1 004	1 004	1 000	1 004	1 004	1 000
Standard bank fixed deposit Eskom - Account number 2886 4192 2005	-	-	3 460	-	-	3 460
Standard bank money market - Account number 2886 4192 2003	4 080	4 080	4 080	4 080	4 080	4 080
Standard bank fixed deposit Eskom - Account number - 2886 4192 2006	34 750	34 750	34 750	34 750	34 750	34 750
ABSA Bank Call Account - Account number - 405 435 2064	473 809	454 832	435 545	473 809	454 832	435 545
Total	**5 971 532**	**2 411 749**	**3 517 598**	**5 971 532**	**2 411 749**	**3 517 598**

A limited general cession on Call Account 92 9194 4935 exist for R18 000.

9. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	36 353 774	(3 347 365)	33 006 409	36 353 774	(3 073 016)	33 280 758

9. Investment property (continued)

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	33 280 758	(274 349)	33 006 409

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	33 555 108	(274 350)	33 280 758

Pledged as security

None of the above properties have been pledged as security for any liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	6 437 447	(1 509 977)	4 927 470	6 437 447	(1 385 484)	5 051 963
Community	19 183 627	(2 127 965)	17 055 662	12 636 754	(1 948 702)	10 688 052
Furniture and fixtures	1 522 580	(749 887)	772 693	1 495 091	(669 262)	825 829
IT equipment	1 719 179	(732 657)	986 522	1 632 324	(549 958)	1 082 366
Infrastructure	215 345 204	(61 479 178)	153 866 026	192 514 881	(55 685 747)	136 829 134
Land	6 072 400	-	6 072 400	6 702 400	-	6 702 400
Leased Assets	604 375	(332 091)	272 284	646 605	(403 459)	243 146
Motor vehicles	4 040 750	(1 089 854)	2 950 896	4 140 750	(1 011 763)	3 128 987
Office equipment	303 639	(166 503)	137 136	291 077	(113 421)	177 656
Other property, plant and equipment	47 047	(26 511)	20 536	47 047	(23 336)	23 711
Plant and machinery	433 214	(292 463)	140 751	433 214	(278 618)	154 596
Tools and loose gear	101 584	(52 523)	49 061	98 980	(46 009)	52 971
Work in progress	48 432 743	-	48 432 743	24 332 199	-	24 332 199
Total	**304 243 789**	**(68 559 609)**	**235 684 180**	**251 408 769**	**(62 115 759)**	**189 293 010**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	5 051 963	-	-	-	(124 493)	4 927 470
Community	10 688 052	765 082	-	5 781 791	(179 263)	17 055 662
Furniture and fixtures	825 829	27 489	-	-	(80 625)	772 693
IT equipment	1 082 366	86 856	-	-	(182 700)	986 522
Infrastructure	136 829 134	5 502 141	-	17 328 182	(5 793 431)	153 866 026
Land	6 702 400	-	(630 000)	-	-	6 072 400
Leased assets	243 146	238 306	-	-	(209 168)	272 284
Motor vehicles	3 128 987	-	-	-	(178 091)	2 950 896
Office equipment	177 656	12 561	-	-	(53 081)	137 136
Other property, plant and equipment	23 711	-	-	-	(3 175)	20 536
Plant and machinery	154 596	-	-	-	(13 845)	140 751
Tools and loose gear	52 971	2 604	-	-	(6 514)	49 061
Work in progress	24 332 199	47 210 517	-	(23 109 973)	-	48 432 743
	189 293 010	**53 845 556**	**(630 000)**	**-**	**(6 824 386)**	**235 684 180**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	5 176 454	-	-	(124 491)	5 051 963
Community	10 863 225	-	-	(175 173)	10 688 052
Furniture and fixtures	852 369	47 796	-	(74 336)	825 829
IT equipment	1 239 920	74 037	-	(231 591)	1 082 366
Infrastructure	136 090 372	7 190 320	(665 340)	(5 786 218)	136 829 134
Land	6 702 400	-	-	-	6 702 400
Leased assets	446 152	-	-	(203 006)	243 146
Motor vehicles	2 273 923	1 191 007	-	(335 943)	3 128 987
Office equipment	178 785	33 891	-	(35 020)	177 656
Other property, plant and equipment	26 809	-	-	(3 098)	23 711
Plant and machinery	178 123	-	-	(23 527)	154 596
Tools and loose gear	60 175	-	-	(7 204)	52 971
Specialised vehicles	10 461 109	13 871 090	-	-	24 332 199
	174 549 816	**22 408 141**	**(665 340)**	**(6 999 607)**	**189 293 010**

Pledged as security

Carrying value of assets pledged as security:

	2019	2018
Leased assets	272 284	243 146
Terms and conditions		
Sebata Connect PBX	55 803	74 706
Terms and conditions		

Work in progress where construction has been halted

During the 2018 financial year, construction on the Sutherland Water reticulation was halted due to the municipality not having sufficient funding to continue the project. The total value of the project amounts to R695 876.

No projects were halted during the 2019 financial year.

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	18 550 409	5 781 790	24 332 199
Additions/capital expenditure	45 904 509	-	45 904 509
Transferred to completed items	(17 328 182)	(5 781 790)	(23 109 972)
	47 126 736	**-**	**47 126 736**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	9 298 824	1 162 285	10 461 109
Additions/capital expenditure	9 251 585	4 619 505	13 871 090
	18 550 409	**5 781 790**	**24 332 199**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2019	2018
Employee related costs	-	1 361
Contracted services	422 764	530 258
Consumables	1 007 085	634 624
	1 429 849	**1 166 243**

Loss on disposal of assets consist of profit made on sale of a truck amounting to R25 000 and loss resulting from donation of land amounting to R630 000.

Maintenance of property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	190 394	(81 267)	109 127	167 039	(42 410)	124 629

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	124 629	23 355	(38 857)	109 127

Figures in Rand	2019	2018

11. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	142 256	9 487	(1 596)	(25 518)	124 629

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having an indefinite useful life

12. Long term receivables

	2019	2018
Long term receivables	777 019	1 022 119
Provision for impairment	(651 186)	(908 360)
	125 833	**113 759**

The long-term receivables relates to outstanding customer service accounts where these customers have arrangements in place with the Municipality to pay their accounts at a fixed instalment over a period longer than 12 months. Arrangements are in place up to 2030.

13. Capitalised restoration cost

2019	Net Carrying amount at 1 July	Additions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitilised restoration cost	8 436 996	1 180 402	(558 246)	(5 106)	9 054 045

2018	Net Carrying amount at 1 July	Additions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitilised restoration cost	10 185 511	(208 595)	(1 510 250)	(29 670)	8 436 996

Restoration cost financed by way of a provision - Refer to note 20 for further details.

Reconciliation of Carrying amount at 30 June

	2019	2018
Net carrying amount		
Cost	20 798 394	19 617 992
Accumulated depreciation	(11 215 991)	(10 657 745)
Accumulated impairment	(528 358)	(523 251)
	9 054 045	**8 436 996**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Other financial liabilities

At amortised cost		
Development Bank of South Africa The loand to DBSA is payable in equal monthly instalments of R25 076. Interest is levied at 5% per annum. The last loan repayment will be on 31 December 2026.	1 875 853	2 077 078
Sebata Connect PBX The loan to Sebata is payable in equal monthly instalments of R4 126. The loan is interest free. The last loan repayment will be on 31 January 2019.	-	28 885
	1 875 853	**2 105 963**
Total other financial liabilities	**1 875 853**	**2 105 963**

A cession over the income stream of the Municipality is pledged as security, covering the instalments plus interest and collection charges outstanding at any time during the term of the DBSA loan.

Non-current liabilities		
At amortised cost	1 664 563	1 875 838
Current liabilities		
At amortised cost	211 290	230 125

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Finance lease obligation

Minimum lease payments due		
- within one year	202 631	189 121
- in second to fifth year inclusive	128 128	115 286
	330 759	304 407
less: future finance charges	(25 775)	(36 205)
Present value of minimum lease payments	**304 984**	**268 202**

Non-current liabilities	120 870	107 286
Current liabilities	184 114	160 916
	304 984	**268 202**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 1% (2018: 2%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	304 984	268 202

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 39.

The fair value of finance lease liabilities approximates their carrying amounts.

16. Payables from exchange transactions

Trade payables	7 234 919	4 683 755
Payments received in advance	1 316 904	529 055
Removal of invasive alien vegetation	-	43 950
Accrued leave pay	1 593 360	1 418 447
Accrued bonus	671 553	594 578
Deposits received	113 838	114 539
Prepaid sales in advance	54 529	259 532
Unidentified deposits	511 319	646 805
Retentions	3 689 587	1 946 327
	15 186 009	**10 236 988**

17. Consumer deposits

Electricity	63 865	62 165
Water	165 897	138 442
	229 762	**200 607**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 70% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2019 and performed by independant professional valuators. The next actuarial valuation is expected to be performed on 30 June 2020.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2 995 131)	(2 545 208)
Non-current liabilities	(2 685 464)	(2 259 473)
Current liabilities	(309 667)	(285 735)
	(2 995 131)	**(2 545 208)**

<u>In-service members:</u>

The average in-service member liability has increased by 31% since the last valuation due to the following factors:
The total liability has decreased by 22% (or R 0.728 million) since the last valuation.
- an increase in the average past service;
- an increase in the average age which means members are closer to retirement.

These impacts were partially offset by:
- a decrease in the average future employer contribution;
- an increase in the net discount rate.

The total in-service member liability has also increased by 74% due to the above being more than offset by a decrease in the number of members (from five members to one member).

<u>Continuation members:</u>

The average continuation member liability has increased by 1% since the last valuation due to an increase in the average employer contribution, partially offset by an increase in the average age and an increase in the net discount rate.

The total continuation member liability has also increased by 1% due to the above, and because there was no change in the number of members.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 545 208	3 272 810
Net expense recognised in the statement of financial performance	449 923	(727 602)
	2 995 131	**2 545 208**

Net expense recognised in the statement of financial performance

Current service cost	10 979	51 693
Interest cost	218 699	284 378
Actuarial (gains) losses	558 519	(790 855)
Settlement	(338 274)	(272 818)
	449 923	**(727 602)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	558 519	(790 855)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,40 %	9,09 %
Expected rate of return on assets	6,09 %	7,25 %
Expected rate of return on reimbursement rights	2,18 %	1,71 %

The basis used to determine the overall expected rate of return on assets is as follow:

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current
market rates along the yield curve.

Consequently, a discount rate of 8.40% per annum has been used. The corresponding index-linked yield at this term is 3.16%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Figures in Rand	2019	2018

18. Employee benefit obligations (continued)

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.09% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 4.59%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.18% which derives from ((1+8.40%)/(1+6.09%))-1.

The expected inflation assumption of 4.59% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.16%) and those of fixed interest bonds (8.40%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+8.40%-0.50%)/(1+3.16%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2020.

Pre-retirement mortality:

The SA 85-90 ultimate table, adjusted for female lives, was used by the actuaries.

Mortality rates:

The PA 90 ultimate table, was used by the actuaries.

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Withdrawal from Service:

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. The remaining in-service member is over 55 years old - the probability has been ignored.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Furthermore, it was assumed that the remaining eligible in-service member will still have a spouse dependant on his medical aid at retirement. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

In-service Non-members:

It is recognised that a contingent liability may exist in respect of employees who have not joined a medical aid scheme, but are entitled to this benefit and may join in the future. As instructed, it was assumed that these employees will not join a medical aid scheme.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Employee benefit obligations (continued)

	One percentage point increase	One percentage point increase
Effect on the aggregate of the service cost and interest cost	277 600	250 300
Effect on defined benefit obligation	3 272 731	2 795 508

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Water Services Infrastructure Grant	-	192 128
Library Development Grant	696 453	575 966
	696 453	**768 094**

See note 26 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Increase in Estimate	Change in discount factor	Total
Environmental rehabilitation	52 661 824	-	-	1 180 402	3 238 703	57 080 929
Long service award	1 965 174	20 880	(60 591)	-	160 338	2 085 801
	54 626 998	**20 880**	**(60 591)**	**1 180 402**	**3 399 041**	**59 166 730**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	49 783 181	2 426 614	-	(208 595)	660 624	52 661 824
Long service award	1 428 694	481 212	(60 067)	-	115 335	1 965 174
	51 211 875	**2 907 826**	**(60 067)**	**(208 595)**	**775 959**	**54 626 998**

	2019	2018
Non-current liabilities	58 848 420	43 162 351
Current liabilities	318 310	11 464 647
	59 166 730	**54 626 998**

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location and estimated decommision date		
Williston, Estimated decommission date 2037	16 205 915	15 067 444
Fraserburg, Estimated decommission date 2024	12 061 671	11 211 331
Sutherland, Estimated decommission date 2037	28 813 342	26 383 049
	57 080 928	**52 661 824**

Material Assumtions used

Discount Rate used:

The discount rate used the calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

Long Service Awards

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Provisions (continued)

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Material Assumtions used

- Discount rate: 8.04% (2018: 8.71%)
- General Salary Inflation (long-term): 5.50% (2018: 6.44%)
- Net effective discount rate: 2.41% (2018: 2.14%)

Salary negotiations were still underway at the time of performing this valuation and as such the general salary increase as at 1 July 2019 had not been finalised by the SALGBC. As instructed by management, the salaries used in the valuation include an assumed increase on 1 July 2019 of 6.5%. The next salary increase was assumed to take place on 1 July 2020.

The average retirement age was presumed as 63 years to allow for potential early retirements.

21. Service charges

Sale of electricity	9 920 268	8 838 215
Sale of water	3 042 914	2 910 119
Sewerage and sanitation charges	2 965 455	2 639 536
Refuse removal	2 253 412	2 018 793
	18 182 049	**16 406 663**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	490 251	845 644

23. Other income

LG Seta Skills development	23 581	32 879
Refunds	-	429 173
Sundry income	243 714	274 121
	267 295	**736 173**

24. Investment revenue

Interest revenue		
Bank	761 948	317 198

Figures in Rand	2019	2018

25. Property rates

Rates received

Residential, commercial property, state and farms	10 015 309	10 063 381
Less: Rebates	(1 617 721)	(3 979 404)
	8 397 588	6 083 977
Property rates - interest received	437 379	407 925
	8 834 967	**6 491 902**

Valuations

Residential	279 173 000	240 596 200
Commercial	91 261 000	82 958 100
State	-	40 513 500
Municipal	33 402 000	20 395 000
Small holdings and farms	3 776 300 500	2 504 656 000
Public Service Infrastructure (Zero Rated)	731 000	182 740 000
Public Benefit Organisations	18 079 000	4 826 100
Multiple purpose	16 111 000	485 000
Vacant land	23 062 500	21 576 000
Public Service Property	48 783 000	-
	4 286 903 000	**3 098 745 900**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.010809 (2018: R0.012722) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

The new general valuation implemented on 1 July 2022.

Figures in Rand	2019	2018

26. Government grants and subsidies

Operating grants		
Equitable share	20 251 000	18 198 000
Local Government Financial Management Grant	1 970 000	1 900 000
Expanded Public Works Program	-	1 000 000
Library Development Grant	1 376 512	1 480 844
National Treasury assistance	924 388	382 427
	24 521 900	**22 961 271**
Capital grants		
Municipal Infrastructure Grant	18 020 000	14 646 000
Integrated National Electrification Programme	1 000 000	1 000 000
Energy Efficiency and Demand Side Management Grant	3 000 000	2 000 000
Water Services Infrastructure Grant	9 500 128	3 807 872
Regional Bulk Infrastructure Grant	27 000 000	-
	58 520 128	**21 453 872**
	83 042 028	**44 415 143**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	62 791 028	26 217 143
Unconditional grants received	20 251 000	18 198 000
	83 042 028	**44 415 143**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	1 000
Current-year receipts	18 020 000	14 645 000
Conditions met - transferred to revenue	(18 020 000)	(14 646 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of the poor households. The
conditions of the grants were met.

Local Government Financial Management Grant

Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 970 000)	(1 900 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Figures in Rand	2019	2018

26. Government grants and subsidies (continued)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Integrated National Electrification Programme

	2019	2018
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Expanded Public Works Program

	2019	2018
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning.

Water Services Infrastructure Grant

	2019	2018
Balance unspent at beginning of year	192 128	-
Grants paid back	(192 000)	-
Current-year receipts	9 500 000	4 000 000
Conditions met - transferred to revenue	(9 500 128)	(3 807 872)
	-	**192 128**

The purpose of this grant is to develop infrastructure required to connect or a augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies (continued)

Library Development Grant

Balance unspent at beginning of year	575 966	389 809
Current-year receipts	1 497 000	1 667 000
Conditions met - transferred to revenue	(1 376 513)	(1 480 843)
	696 453	**575 966**

Conditions still to be met - remain liabilities (see note 19).

The grant is being used to support library services.

National Treasury assistance

Current-year receipts	924 388	382 427
Conditions met - transferred to revenue	(924 388)	(382 427)
	-	-

Conditions still to be met - remain liabilities (see note 19).

This grant relates to audit fees that were paid by National Treasury on behalf of the municipality.

Energy Efficiency and Demand Side Management Grant

Current-year receipts	3 000 000	2 000 000
Conditions met - transferred to revenue	(3 000 000)	(2 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

To implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Regional Bulk Infrastructure Grant

Current-year receipts	27 000 000	-
Conditions met - transferred to revenue	(27 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 19).

To develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Figures in Rand	2019	2018

27. Employee related costs

Bargaining council contributions	9 161	7 822
Basic	19 937 450	17 859 546
Bonus	1 771 617	1 346 912
Contributions for UIF, Pensions and Medical Aids	1 402 600	1 158 495
Leave pay provision charge	221 734	334 762
Long-service awards	157 005	124 851
Overtime payments	318 322	265 391
Post retirement medical aid expenses	10 979	51 693
SDL	219 005	215 244
Travel, motor car, accommodation, subsistence and other allowances	150 807	97 921
	24 198 680	**21 462 637**

Remuneration of the Municipal Manager: JJ Fortuin

Annual Remuneration	835 090	330 128
Car Allowance	183 312	72 467
Performance Bonuses	47 526	-
Cell phone allowance	12 000	5 000
	1 077 928	**407 595**

Mr JJ Fortuin was appointed as the Municipal Manager from 01 February 2018.

Remuneration of the Municipal Manager: GW Von Mollendorf

Annual Remuneration	-	128 940
Bonus and leave payout	-	281 414
Car Allowance	-	15 863
	-	**426 217**

Mr GW Von Mollendorf's services as Municipal Manager were terminated on 30 June 2017.

Mr. BJ Swartland was appointed as the Acting Municipal Manager from 25 July 2017.

Remuneration of the Acting Municipal Manager: BJ Swartland

Annual Remuneration	-	133 451
Cell phone allowance	-	4 164
Housing allowance	-	15 484
	-	**153 099**

Mr BJ Swartland was appointed as the Acting Municipal Manager from 25 July 2017.

Mr BJ Swartland`s services as Acting Municipal Manager were terminated on 07 December 2017.

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	804 175	814 024
Acting allowance	-	54 433
Car allowance	226 819	229 596
Performance Bonuses	143 077	-
Cell phone allowance	12 000	12 000
	1 186 071	**1 110 053**

Mr Myburgh was acting as Municipal Manager for the period 01 July 2017 until 24 July 2017.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

27. Employee related costs (continued)

Remuneration of the Director Technical: FJ Lötter

Annual Remuneration	656 426	611 941
Acting allowance	19 745	-
Car allowance	126 010	119 998
Performance Bonuses	109 404	-
Cell phone allowance	12 000	12 000
	923 585	**743 939**

Mr Lotter acted as Municipal Manager from December 2018 until January 2019.

Figures in Rand	2019	2018

28. Remuneration of councillors

	2019	2018
Mayor	819 463	790 385
Councillors	1 730 880	1 733 610
	2 550 343	**2 523 995**

	2019	2018
JP Julies		
Basic Salary	-	-
Cell phone allowance	-	212
Vehicle allowance	-	-
	-	**212**
VC Wentzel - Mayor		
Basic salary	697 557	670 728
Cell phone allowance	44 400	44 920
Vehicle allowance	77 506	74 525
	819 463	**790 173**
JJ van der Colff		
Basic salary	220 752	219 963
Cell phone allowance	44 400	45 432
Vehicle allowance	24 528	24 440
	289 680	**289 835**
MM van Wyk		
Basic salary	-	844
Cell phone allowance	-	212
Vehicle allowance	-	94
	-	**1 150**
E Vermeulen		
Basic salary	-	844
Cell phone allowance	-	212
Vehicle allowance	-	94
	-	**1 150**
G Beukes		
Basic salary	-	844
Cell phone allowance	-	212
Vehicle allowance	-	94
	-	**1 150**
J Davids		
Basic salary	220 752	219 963
Cell phone allowance	44 400	45 432
Vehicle allowance	24 528	24 440
	289 680	**289 835**
K Koopman		
Basic salary	-	844
Cell phone allowance	-	212
Vehicle allowance	-	94
	-	**1 150**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Remuneration of councillors (continued)

A Januarie

Basic salary	229 007	219 119
Cell phone allowance	40 800	42 520
Vehicle allowance	16 273	24 346
	286 080	**285 985**

G Klazen

Basic salary	229 007	219 119
Cell phone allowance	44 400	45 220
Vehicle allowance	16 273	24 346
	289 680	**288 685**

J Jooste

Basic salary	229 007	219 119
Cell phone allowance	40 800	42 520
Vehicle allowance	16 273	24 346
	286 080	**285 985**

JJ Jacobs

Basic salary	229 007	219 119
Cell phone allowance	44 400	45 220
Vehicle allowance	16 273	24 346
	289 680	**288 685**

29. Finance costs

Actuarial interest	379 037	399 713
Long term borrowings	133 221	164 093
Provision for the rehabilitation of landfill sites	3 238 702	660 625
Trade and other payables	3 813	7 941
	3 754 773	**1 232 372**

30. Debt impairment

Debt impairment	3 399 304	1 926 084

31. Bulk purchases

Electricity - Eskom	8 334 136	8 132 660

32. Contracted services

Maintenance of Equipment	1 504 479	1 166 243

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Operating cost

Advertising	16 917	50 506
Audit committee fees	-	50 928
Auditors remuneration	2 076 932	1 993 669
Bank charges	264 881	274 745
Cleaning	26 230	35 205
Commission paid	121 056	262 208
Community development and training	37 935	28 938
Consultant fees	3 760 485	3 843 061
Consumables	455	25 350
Donations	166 501	102 633
Entertainment	16 135	6 924
Fuel and oil	646 215	584 738
Insurance	255 200	242 130
Internal audit	161 885	114 631
Library projects	10 242	13 240
Membership fees	507 205	-
Operating grant expenditure	-	430 613
Other expenses	264 543	831 738
Postage and courier	5 133	5 975
Printing and stationery	508 742	342 631
Refuse	121 992	101 330
Rehabilitation of landfill sites expense	-	2 426 614
Research and development costs	52 361	64 082
Security	24 940	33 411
Software expenses	1 535 050	939 252
Staff welfare	96 473	54 455
Telephone and fax	141 975	92 588
Title deed search fees	67 452	180 683
Training	70 200	9 500
Transport and freight	1 663	4 959
Travel - local	1 367 004	1 504 472
	12 325 802	**14 651 209**

34. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Other receivables from exchange tranactions	41 012	41 012
Receivables from non-exchange transactions	1 963 453	1 963 453
Receivables from exchange transactions	10 599 110	10 599 110
Cash and cash equivalents	5 974 232	5 974 232
Long term receivables	125 833	125 833
	18 703 640	**18 703 640**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	1 875 853	1 875 853
Finance lease liability	304 984	304 984
Payables from exchange transactions	15 857 562	15 857 562

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

. Financial instruments disclosure (continued)

Consumer deposits	229 762	229 762
	18 268 161	**18 268 161**

2018

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	62 409	62 409
Receivables from non-exchange transactions	832 672	832 672
Receivables from exchange transactions	5 599 005	5 599 005
Cash and cash equivalents	2 414 449	2 414 449
Long term receivables	113 759	113 759
	9 022 294	**9 022 294**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2 105 963	2 105 963
Finance lease liability	268 202	268 202
Payables from exchange transactions	9 642 408	9 642 408
Consumer deposits	200 607	200 607
	12 217 180	**12 217 180**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	11 449 662	1 223 258

Total capital commitments		
Already contracted for but not provided for	11 449 662	1 223 258

Total commitments

Total commitments		
Authorised capital expenditure	11 449 662	1 223 258

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and government grants and subsidies.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

36. Contingencies

2019:

KHM vs Ngethuba Cleaning Services (Pty) LTD

A claim against Karoo Hoogland Municipality relating payments resulting form the award of a tender costs amounting to R693 056.

2018:

None.

Contingent assets

2019:

KHM vs L Nothnagel

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

2018:

KHM vs L Nothnagel

A claim against L Nothnagel relating to Labour Court costs amounting to R1 090 911.

Marius Kirsten Botha

Kimberley High Court Matter for an amount of R540 240.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Members of key management	S Myburgh
	F Lotter
Members of Council	VC Wentzel - Mayor
	J Davids
	A Januarie
	G Klazen
	J Jooste
	JJ van der Colff
	JJ Jacobs

Related party balances

	2019	2018
Amounts included in Trade receivable (Trade Payable) regarding related parties		
SM Davids	374	347
VC Wentzel	371	347
A Januarie	375	2 901
G Klazen	388	347
J Jooste	410	364
JJ Jacobs	428	-
JJ van der Colff	-	(227)
FJ Lotter	1 033	633
Amounts included in Receivables from non-exchange transactions		
Salary overpayment - F Lotter	6 965	12 965
JJ van der Colff	-	2 200

Related party transactions

	2019	2018
Rates levied to Councillors 1 July to 30 June		
G Klazen	170	148
AM Januarie	108	56
J Jooste	497	936
SM Davids	97	167
JJ Jacobs	573	513
JJ van der Colff	3 211	3 273
Service charges to Councillors levied 1 July to 30 June		
G Klazen	4 454	4 141
AM Januarie	4 454	7 093
J Jooste	4 911	4 519
SM Davids	4 454	4 141
VC Wentzel	4 454	4 277
JJ Jacobs	4 531	4 141
Rates Charges to Key Management		
FJ Lotter	5 685	5 771
Services Charges to Key Management		
FJ Lotter	6 906	6 624

Remuneration of key management refer to note 27 of the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Prior period errors

Removing of FMS and EMS as intangible assets as it does not meet the definition of an assets resulting in a overstatement of intangible assets amount to R4 459 920 as per the Accounting Standards Board.

Removing of FMS and EMS as intangible assets as it does not meet the definition of an assets resulting in a overstatement of Depreciation and amortisation amount to R62 835.
First time recognition of assets amounting to understatement of depreciation amounting to R9 996.

Removing of FMS and EMS as intangible assets as it does not meet the definition of an assets resulting in a understatement of General expenses amount to R1 698 474 as per the Accounting Standards Board.

First time recognition of assets amounting to understatement of Property, plant and equipment amounting R190 194.

Correction of PPE, intangible assets and accumulated depreciation and amortisation amounting to overstatement amounting to R2 715 090.

The following symbols will be used to indicate the change in accounts:
Assets: Decrease (-) Increase (+)
Liabilities: Decrease (+) Increase (-)
Income: Decrease (+) Increase (-)
Expenses: Decrease (-) Increase (+)
Equity: Decrease (+) Increase (-)

The correction of the errors results in adjustments as follows:

	2019	2018
Statement of financial position		
Intangible assets	-	(4 549 920)
Property, plant and equipment	-	190 194
Opening Accumulated Surplus or Deficit	-	2 715 090
Statement of Financial Performance		
Depreciation and amortisation	-	(53 839)
General Expenses	-	1 698 475
Cash flow statement		
Cash flow from operating activities		
Suppliers	-	1 698 474
Cash flow from investing activities		
Purchase of other intangible assets	-	(1 698 474)

39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

39. Risk management (continued)

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300 551	300 551	1 202 205	450 601
Finance lease obligation	202 631	128 128	-	-
Payables from exchange transactions	15 857 562	-	-	-
Consumer deposits	229 762	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	329 437	300 551	1 202 205	751 378
Finance lease obligation	189 121	115 286	-	-
Payables from exchange transactions	9 642 408	-	-	-
Consumer deposits	200 607	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial instrument	2019	2018
Cash and cash equivalents	5 971 530	2 414 449
Receivables from exchange transactions	10 599 110	5 599 005
Receivables from non-exchange transactions	1 963 453	832 672
Other receivables from non-exchange transactions	41 012	62 409

The municipality has not pledged any of the above assets as securities for any liabilities during the year or the previous year.

There were no material changes to the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to to credit risk is represented by the carrying valyue of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers.

Market risk

39. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2019, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 21 808 (2018: R 23 742) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 21 808 (2018: R 23 742) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets.

40. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 220 166 821 and that the municipality's total liabilities exceed its assets by R 220 166 821.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding from National Treasury for the on-going operations for the municipality. The municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligation and to increase its cash flow.

41. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	2 332 679	2 323 842
Correction of prior period error	-	-
Opening balance as restated	**2 332 679**	**2 323 842**
Add: Fruitless and wasteful expenditure - current period	5 600	8 837
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**2 338 279**	**2 332 679**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2019	2018
Eskom - Interest and penalties on late payments	None	585	445
SA Poskantoor - Interest and penalties on late payments	None	953	318
Fraserburg Landbou - Interest and penalties on late payments	None	249	-
Auditor General - Interest and penalties on late payments	None	3 813	7 941
SABC - TV licenses - Interest on late payments	None	-	133
		5 600	**8 837**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Fruitless and wasteful expenditure (continued)

Amounts recoverable

None of the above amounts identified as recoverable.

Amounts written-off

No amounts were written -off.

42. Irregular expenditure

	2019	2018
Opening balance as previously reported	39 359 023	32 906 763
Correction of prior period error	-	-
Opening balance as restated	**39 359 023**	**32 906 763**
Add: Irregular Expenditure - current year	346 597	6 452 260
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**39 705 620**	**39 359 023**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	2019	2018
Made use of a Supplier not registered on CSD	None	-	938
Quotations were not evaluated in accordance with Section 2(1)(a) of the PPPF Act	None	-	6 451 322
Tax clearances not obtained	None	20 125	-
Procurement processes not followed	None	131 663	-
The request for quotations was not advertised for at least seven(7) days	None	85 824	-
Salary Increase not approved	None	24 298	-
Proper recruitment procedures not followed	None	84 687	-
		346 597	**6 452 260**

Cases under investigation

No cases are currently under investigation.

Amounts recoverable

None of the above amounts identified as recoverable.

Notes to the Annual Financial Statements

42. Irregular expenditure (continued)

Amounts written-off

No amounts were written -off.

Figures in Rand	2019	2018

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2019	2018
Opening balance	1 810 062	1 804 205
Current year subscription / fee	500 000	505 857
Task Job Evaluation	7 205	-
Amount paid - previous years	-	(500 000)
Amount paid - Current year	(500 000)	-
	1 817 267	**1 810 062**

Distribution losses

Electricity distribution losses:

2019:

- Units purchased (Kwh)	5 920 076
- Units lost during distribution (Kwh)	708 445
- Percentage lost during distribution	11.97%

2018:

- Units purchased (Kwh)	6 211 306
- Units lost during distribution (Kwh)	789 772
- Percentage lost during distribution	12.72%

Water distribution losses:

2019:

- Kilo litres raw water input	269 004
- Kilo litres lost during distribution	18 221
- Percentage lost during distribution	6.77%

2018:

- Kilo litres raw water input	291 280
- Kilo litres lost during distribution	22 095
- Percentage lost during distribution	7.59%

Audit fees

	2019	2018
Opening balance	927 009	943 442
Current year subscription / fee	2 463 917	2 377 238
Amount paid - previous years	(360 000)	(935 479)
Amount paid - current year	(1 440 000)	(916 183)
Amount settled by National Treasury	(924 388)	(382 427)
Amounts written off	(209 099)	(159 582)
	457 439	**927 009**

PAYE and UIF

	2019	2018
Current year subscription / fee	4 325 162	3 791 202
Amount paid - current year	(4 325 162)	(3 791 202)
	-	-

Figures in Rand	2019	2018

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

	2019	2018
Current year subscription / fee	3 369 858	3 001 967
Amount paid - current year	(3 369 858)	(3 001 967)
	-	-

VAT

	2019	2018
VAT receivable	3 841 964	1 526 641

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding.

30 June 2019	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Giel Klazen	388	-	388
AM Januarie	375	-	375
J Jooste	410	-	410
SM Davids	374	-	374
VC Wentzel - Mayor	371	-	371
M Jacobs	428	-	428
	2 346	**-**	**2 346**

30 June 2018	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Giel Klazen	347	-	347
AM Januarie	347	2 554	2 901
J Jooste	364	-	364
SM Davids	347	-	347
VC Wentzel - Mayor	347	-	347
M Jacobs	347	-	347
	2 099	**2 554**	**4 653**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days:

30 June 2018	**Highest outstanding amount**	**Aging (in days)**
AM Januarie	2 554	90

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for deviation		
Sole suppliers	901 373	1 005 376
Emergency	528 494	475 661
Impractical	1 002 507	1 876 517
	2 432 374	**3 357 554**

45. Awards to close family members of persons in the service of the state

Awards		
JME Projects	62 313	-

46. Cash generated from operations

Surplus	49 060 744	10 929 658
Adjustments for:		
Depreciation and amortisation	7 695 838	8 810 138
Loss on derecognition of asset	-	(667 870)
Landfill Sites Rehabilitation Expense	-	2 426 614
Loss on disposal of property,plant and equipment	630 000	-
Finance costs	(3 196 800)	1 224 431
Impairment deficit	-	29 670
Debt impairment	3 399 304	1 926 084
Movements in retirement benefit assets and liabilities	137 163	(70 287)
Movements in provisions	3 922 682	1 666 608
Property rates (Non-Cash)	1 911 885	-
Inventory adjustment	(17 966)	(3 780)
Actuarial gain	420 874	(440 440)
Changes in working capital:		
Inventories	(48 570)	101 202
Other receivables from exchange transactions	21 397	155 277
Receivables from exchange transactions	(7 222 892)	(5 192 673)
Other receivables from non-exchange transactions	(1 703 639)	(238 326)
Payables from exchange transactions	4 631 610	1 435 431
VAT	(2 315 323)	(535 464)
Unspent conditional grants and receipts	71 641	377 285
Increase/(Decrease) in Consumer deposits	29 155	(82 616)
	57 427 103	**21 850 942**

47. Unauthorised expenditure

Opening balance as previously reported	106 380 274	96 827 336
Correction of prior period error	-	-
Opening balance as restated	**106 380 274**	**96 827 336**
Add: Unauthorised Expenditure - current period	12 356 096	9 552 938
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**118 736 370**	**106 380 274**

Figures in Rand	2019	2018

47. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	12 356 096	9 410 479
Cash	-	142 460
	12 356 096	**9 552 939**

Analysed as follows: non-cash

Debt impairment	931 687	-
Depreciation and asset impairment	7 295 838	8 493 407
Finance charges	3 523 571	917 072
Loss on disposal of property, plant and equipment	605 000	-
	12 356 096	**9 410 479**

Analysed as follows: cash

Bulk purchases	-	142 460

Figures in Rand	2019	2018

48. Budget differences

Service charges

Not material variance.

Rental of facilities and equipment

Rentals of small farmers lower than commercial farmers..

Interest received (trading)

Not material variance.

Agency services

The amount exceed the budget amount as the municipality did receive a letter from the Department of Transport indicating that the municipality will not render the service anymore.

Other income

Inaccurate budgeting of the current years budgeted amount.

Interest received - investment

Inaccurate budgeting of the current years budgeted amount..

Property rates

Implementing of the new valuation roll.

Property rates - interest received

Budgeted for under Property rates.

Government grants & subsidies

Received additional RBIG funding.

Public contributions and donations

Not material amount.

Fines, Penalties and Forfeits

Not material amount.

Employee related costs

Not material variance.

Remuneration of councillors

Not material variance.

Depreciation and amortisation

The municipality cannot budget for the actual amount as this will have the impact that the municipality will budget for a deficit which according to legislation is not permitted.

Finance costs

48. Budget differences (continued)

Finance cost for the rehabilitation of landfill sites were not budgeted for.

Debt impairment

Budgeted was based on prior year results.

Repairs and maintenance

Upgrading and additions of new assets had an effect of the amount spent on repairs and maintenance.

Bulk purchases

Not a material variance.

General Expenses

Cost of MSCOA implementation no longer capitalised.

Actual gains/Losses

The municipality cannot budget for the actual amounts as experts are used to determine Long service awards and Post employment medical aid actuarial gains or losses.

APPENDIX A
KAROO HOOGLAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2018	Correction	Balance at 30 JUNE 2019 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2019
LONG-TERM LIABILITIES									
DBSA	5%	102367/1	31-Dec-26	2 077 078	-	2 077 078	-	(201 224)	1 875 854
TOTAL EXTERNAL LOANS				**2 077 078**	**-**	**2 077 078**	**-**	**(201 224)**	**1 875 854**

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost/Revaluation						Accumulated Depreciation				Carrying
	Opening Balance	**Additions**	**Transfer in**	**Disposals**	**Closing Balance**	**Impairment**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Value**
Land and Buildings											
Land	6 702 400.00	-	-	630 000.00	6 072 400.00	-	-	-	-	-	6 072 400.00
Buildings	6 437 446.26	-	-	-	6 437 446.26	-	1 385 484.49	124 492.59	-	1 509 977.08	4 927 469.19
	13 139 846.26	**-**	**-**	**630 000.00**	**12 509 846.26**	**-**	**1 385 484.49**	**124 492.59**	**-**	**1 509 977.08**	**10 999 869.19**
Infrastructure											
Electricity	23 882 599.43	-	-	-	23 882 599.43	20 908.03	5 840 922.49	570 151.09	-	6 411 073.58	17 450 617.82
Road Transport	57 684 466.10	-	-	-	57 684 466.10	-	30 935 826.01	2 730 362.61	-	33 666 188.62	24 018 277.49
Sanitation	28 089 576.27	-	-	-	28 089 576.27	-	3 342 716.12	468 518.77	-	3 811 234.89	24 278 341.38
Water Supply	88 332 104.64	5 489 367.86	-	-	93 821 472.50	28 346.67	12 828 632.31	1 753 876.26	-	14 582 508.57	79 210 617.26
Solid Waste Disposal	259 769.95	-	-	-	259 769.95	-	164 493.15	13 910.21	-	178 403.36	81 366.58
Stormwater	11 596 480.23	12 773.22	-	-	11 609 253.45	-	2 524 486.19	256 611.42	-	2 781 097.61	8 828 155.84
Work in Progress	1 222 226.15	47 210 517.84	-	-	48 432 743.99	-	-	-	-	-	48 432 743.99
	211 067 222.77	**52 712 658.92**	**-**	**-**	**263 779 881.69**	**49 254.71**	**55 637 076.27**	**5 793 430.36**	**-**	**61 430 506.63**	**202 300 120.35**
Community Assets											
Recreation Grounds	10 158 450.78	765 082.18	-	-	10 923 532.96	-	872 511.90	83 587.69	-	956 099.59	9 967 433.37
Civil Buildings	6 267 978.71	-	-	-	6 267 978.71	-	834 186.85	74 175.98	-	908 362.83	5 359 615.88
Libraries	1 639 571.58	-	-	-	1 639 571.58	-	216 066.10	19 218.88	-	235 284.98	1 404 286.60
Parks & Gardens	91 000.00	-	-	-	91 000.00	-	-	-	-	-	91 000.00
Public Conveniences/Bathhouses	154 590.15	-	-	-	154 590.15	-	15 044.63	1 310.02	-	16 354.65	138 235.50
Cemetary	106 954.00	-	-	-	106 954.00	-	10 892.08	971.16	-	11 863.25	95 090.75
Work in Progress C	-	-	-	-	-	-	-	-	-	-	-
	18 418 545.22	**765 082.18**	**-**	**-**	**19 183 627.40**	**-**	**1 948 701.57**	**179 263.73**	**-**	**2 127 965.30**	**17 055 662.10**
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total carried forward	242 625 614.26	53 477 741.10	-	630 000.00	295 473 355.35	49 254.71	58 971 262.33	6 097 186.68	-	65 068 449.01	230 355 651.64

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	Value
Total brought forward	242 625 614.26	53 477 741.10	-	630 000.00	295 473 355.35	49 254.71	58 971 262.33	6 097 186.68	-	65 068 449.01	230 355 651.64
Leased Assets											
Office equipment (lease)	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Other Assets											
Airconditioning	312 802.76	-	-	-	312 802.76	-	108 801.83	24 637.60	-	133 439.43	179 363.33
Chairs	338 092.54	19 359.48	-	-	357 452.02	-	199 335.27	19 626.43	-	218 961.70	138 490.32
Compactor	15 000.00	-	-	-	15 000.00	-	10 084.88	702.16	-	10 787.04	4 212.96
Computer hardware	1 632 323.91	86 855.14	-	-	1 719 179.05	-	549 957.67	182 699.63	-	732 657.30	986 521.75
Concrete mixer	13 735.98	-	-	-	13 735.98	-	8 637.57	781.83	-	9 419.40	4 316.58
Electronic equipment	124 523.02	-	-	-	124 523.02	-	48 524.59	11 233.17	-	59 757.76	64 765.26
Extinguisher fire	120 321.50	4 400.00	-	-	124 721.50	-	74 580.50	6 013.61	-	80 594.11	44 127.39
Generator	39 001.68	-	-	-	39 001.68	-	11 772.29	3 217.48	-	14 989.77	24 011.91
Lawnmower	15 574.33	-	-	-	15 574.33	-	5 389.84	1 479.49	-	6 869.33	8 705.00
LDV	246 005.18	-	-	-	246 005.18	-	73 400.40	2 153.29	-	75 553.68	170 451.49
Mechanical equipment	1 973.98	-	-	-	1 973.98	-	1 349.99	137.74	-	1 487.72	486.25
Office equipment	166 554.64	12 561.70	-	-	179 116.34	-	64 896.78	41 848.58	-	106 745.37	72 370.98
Office furniture	418 533.25	3 729.38	-	-	422 262.63	-	167 136.44	16 805.43	-	183 941.87	238 320.76
Plant & Equipment	56 476.69	-	-	-	56 476.69	-	21 889.32	4 012.69	-	25 902.02	30 574.67
Pump equipment	20 523.10	-	-	-	20 523.10	-	10 802.10	1 080.11	-	11 882.21	8 640.89
Radio equipment	6 150.16	-	-	-	6 150.16	-	4 033.71	348.82	-	4 382.53	1 767.63
Recorder	872.60	-	-	-	872.60	-	512.22	40.04	-	552.27	320.34
Road work machinery	309 000.00	-	-	-	309 000.00	-	226 234.05	5 130.88	-	231 364.93	77 635.07
Sewerage truck	1 478 875.16	-	-	-	1 478 875.16	-	99 545.05	53 184.15	-	152 729.20	1 326 145.96
Tables and desks	305 340.06	-	-	-	305 340.06	-	119 407.49	13 541.96	-	132 949.45	172 390.60
Tools	98 980.15	2 603.98	-	-	101 584.13	-	46 008.64	6 514.68	-	52 523.32	49 060.81
Tracktor	472 327.87	-	-	-	472 327.87	-	208 103.58	10 055.50	-	218 159.08	254 168.78
Trailer	863 424.01	-	-	-	863 424.01	-	401 558.78	56 026.74	-	457 585.52	405 838.49
Truck flat bed	1 080 117.31	-	-	100 000.00	980 117.31	-	229 155.12	56 671.53	100 000.00	185 826.65	794 290.66
Tv and video equipment	918.03	-	-	-	918.03	-	552.23	40.64	-	592.87	325.16
Welding machine	1 034.69	-	-	-	1 034.69	-	695.64	48.43	-	744.08	290.61
	8 138 482.57	**129 509.69**	**-**	**100 000.00**	**8 167 992.26**	**-**	**2 692 365.98**	**518 032.60**	**100 000.00**	**3 110 398.59**	**5 057 593.67**
PPE	**250 764 096.83**	**53 607 250.78**	**-**	**730 000.00**	**303 641 347.61**	**49 254.71**	**61 663 628.31**	**6 615 219.28**	**100 000.00**	**68 178 847.59**	**235 413 245.31**

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, P OF PROPERTY, PLANT AND EQUIPMENT

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance	Impairment	Opening Balance	Additions	Disposals	Closing Balance	Value
Executive & Council	26 215 744.91	46 504.97	-	630 000.00	25 632 249.88	-	3 578 065.91	353 321.67	-	3 931 387.58	21 700 862.31
Budget & Treasury	1 755 618.49	74 162.85	-	-	1 829 781.34	-	594 707.36	164 353.29	-	759 060.65	1 070 720.69
Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	66 650.38	-	-	-	66 650.38	-	35 257.03	3 605.12	-	38 862.15	27 788.22
Health	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	879 161.60	1 837.88	-	-	880 999.48	-	350 709.32	80 473.30	-	431 182.62	449 816.86
Housing	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	5 890 340.33	765 082.18	-	-	6 655 422.51	-	13 034.09	8 544.87	-	21 578.96	6 633 843.55
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management	29 116 036.93	-	-	-	29 116 036.93	-	3 568 158.95	533 908.96	-	4 102 067.92	25 013 969.01
Road Transport	73 044 346.73	7 053 830.91	-	100 000.00	79 998 177.64	-	34 373 285.03	3 111 862.30	100 000.00	37 385 147.33	42 613 030.31
Water	89 068 314.34	41 756 822.17	-	-	130 825 136.50	28 346.67	12 854 236.02	1 756 936.15	-	14 611 172.17	116 185 617.66
Electricity	24 727 883.13	3 909 009.82	-	-	28 636 892.96	20 908.03	6 296 174.59	602 213.63	-	6 898 388.22	21 717 596.71
TOTAL	**250 764 097**	**53 607 251**	**-**	**730 000**	**303 641 348**	**49 255**	**61 663 628**	**6 615 219**	**100 000**	**68 178 848**	**235 413 245**

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost						Accumulated Depreciation				Carrying
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance	Impairment	Opening Balance	Additions	Disposals	Closing Balance	Value
Administration	26 026 374.72	46 504.97	-	630 000.00	25 442 879.69	-	3 499 586.71	334 831.75	-	3 834 418.46	21 608 461.24
Councillor general expenditure	192 099.04	-	-	-	192 099.04	-	80 379.03	18 661.43	-	99 040.46	93 058.58
Director economical development	66 650.38	-	-	-	66 650.38	-	35 257.03	3 605.12	-	38 862.15	27 788.22
Director finance	1 753 241.56	74 162.85	-	-	1 827 404.41	-	593 073.22	164 204.73	-	757 277.96	1 070 126.46
Electricity	24 727 883.13	3 909 009.82	-	-	28 636 892.96	-	6 296 174.59	602 213.63	-	6 898 388.22	21 717 596.71
Library	664 688.27	1 837.88	-	-	666 526.14	-	228 137.18	50 082.20	-	278 219.38	388 306.76
Parks.trees and recreation	5 890 340.33	765 082.18	-	-	6 655 422.51	-	13 034.09	8 544.87	-	21 578.96	6 633 843.55
Sanitation	30 307 043.93	-	-	-	30 307 043.93	-	3 578 478.05	575 477.75	-	4 153 955.81	26 153 088.12
Streets & public works	71 853 339.73	7 053 830.91	-	100 000.00	78 807 170.64	-	34 362 965.93	3 070 293.51	100 000.00	37 333 259.44	41 473 911.20
Townhall and buildings	214 121.42	-	-	-	214 121.42	-	122 306.44	30 368.15	-	152 674.59	61 446.82
Water	89 068 314.34	41 756 822.17	-	-	130 825 136.50	-	12 854 236.02	1 756 936.15	-	14 611 172.17	116 185 617.66
TOTAL	**250 764 097**	**53 607 251**	**-**	**730 000**	**303 641 348**	**-**	**61 663 628**	**6 615 219**	**100 000**	**68 178 848**	**235 413 245**

APPENDIX D
KAROO HOOGLAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance at 1 July 2018 R	Contributions during the year R	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Total Expenditure during the year Transferred to Revenue	Grants Withheld R	Balance at 30 June 2019 R	Unspent 30 June 2019 (Creditor) R	Unpaid 30 June 2019 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Integrated Electrification Programme		1 000 000	-	1 000 000	1 000 000	-	-		-
Financial Management Grant		1 970 000	1 970 000		1 970 000	-	-	-	-
Municipal Infrastructure Grant		18 020 000		18 020 000	18 020 000		-	-	-
Municipal Systems Improvement Grant					-	-	-	-	-
Energy Efficiency and Demand Side Management Grant		3 000 000	-	3 000 000	3 000 000	-	-	-	-
Water Services Infrastructure Grant	192 128	9 500 000		9 500 128	9 500 000	(192 000)	-	-	
Regional Bulk Infrastructure Grant		27 000 000	27 000 000	27 000 000	27 000 000				
Total National Government Grants	**192 128**	**60 490 000**	**28 970 000**	**58 520 128**	**60 490 000**	**(192 000)**	**-**	**-**	**-**
Provincial Government Grants									
Expanded Public Works Programme					-	-	-	-	-
Library Services	575 966	1 497 000	1 376 512		1 376 512	-	696 454	696 454	-
Total Provincial Government Grants	**575 966**	**1 497 000**	**1 376 512**	**-**	**1 376 512**	**-**	**696 454**	**696 454**	**-**
Other Grants									
District Municipality Surplus funds	-	-	-	-	-	-	-	-	-
NALA	-	-	-	-	-	-	-	-	-
Total Other Grants	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equitable Share	-	20 251 000	20 251 000	-	20 251 000	-	-	-	-
TOTAL GOVERNMENT GRANTS	**768 094**	**82 238 000**	**50 597 512**	**58 520 128**	**82 117 512**	**(192 000)**	**696 454**	**696 454**	**-**